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4.	USSR OFFERS	TO	FINANCE	ICELAND'S	PURCHASE	OF
	EAST GERMAN	J FT	SHING CR.	AFT		

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and has reco	The USSR has offered to finance the \$3,250,000 cost of Iceland's purchating a total of 17 fishing craft from Germany, with a 15-year, 2.5-perend has already ordered five 75-ton motor ently negotiated for the procurement of 12 ds of 250 tons each.	s- East cent cboats
landic cabin tive offer.	The US embassy comments that the et will find it difficult to reject such an at	
Comment	Such a loan would increase Iceland already extensive economic depension the USSR.	
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6. DJAKARTA MUNICIPAL ELECTIONS

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The most significant change in the voting pattern in the 22 June Djakarta municipal elections is the Communist Party's rise to second place with a vote of 123,000 from a poor fourth place in

1955 when it polled 76,000. This Communist gain is probably the result of vigorous campaigning and President Sukarno's personal encouragement of Communist activity. The Masjumi retained first place. The National Party and the Nahdlatul Ulama (NU), both non-Communist, which held second and third places respectively in 1955, were reduced to third and fourth places. On 22 June, the Nationalists polled 106,000 and the NU 94,000.

The Masjumi's plurality in almost complete returns indicates that anti-Communist and anti-Sukarno forces have retained substantial strength despite strong and continuing efforts to repress them. The Masjumi's vote of 132,000 of the 455,000 votes counted, however, gives it a margin less than that achieved in Djakarta during the 1955 national elections.

Provincial elections in the remainder of Java are scheduled for the near future. The Masjumi won a plurality in West Java in 1955, but polled fourth in Central and East Java. The Communist Party held a strong second place in both Central and East Java in 1955.

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7. SIHANOUK RESIGNS AS CAMBODIAN PREMIER

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The resignation on 21 June of Cambodia's Premier Prince Sihanouk and his scheduled departure next month for medical treatment in France may foreshadow a significant change in the nation's political pattern. Since the general elections of September 1955, there have been eight Cambodian governments, each under Sihanouk's control.

During this period dissatisfaction engendered by Sihanouk's autocratic and often erratic leadership has steadily intensified as a result of recurrent administrative crises. The chief spokesman of Cambodian discontent is Dap Chhuon, the minister of national security, who has also frequently attacked Sihanouk's foreign policy of friendly relations with the Communist bloc.

Sihanouk may grant more freedom of action to the next government. Such a regime may also be expected to continue the tougher attitude toward Communist subversion recently adopted by Sihanouk. Anti-Communist Leng Ngeth, capable former premier and recently Cambodian ambassador to Moscow, is being mentioned as the next premier. Dap Chhuon also aspires to the post, but there is strong opposition to him, particularly from the royal family.

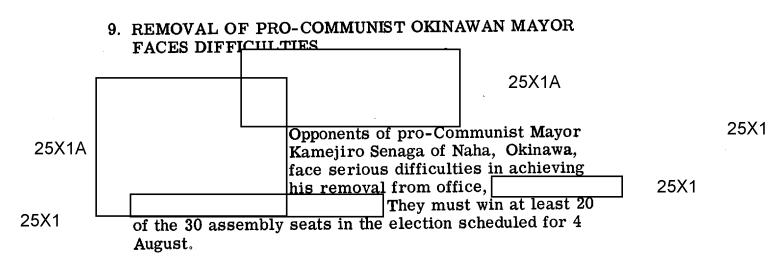
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The conservative opposition is hampered by the decision of three and possibly five anti-Senaga assemblymen not to run for re-election. Senaga already has begun a campaign on behalf of his supporters in which he undoubtedly will use the city administrative organization. He has threatened strong action against city employees who support his opponents.

Senaga probably will pose as the champion of Okinawan grievances against the United States and emphasize such popular issues as reversion to Japan and opposition to the American acquisition of land for military use. American observers feel there is a good chance for the conservatives to win 20 assembly seats, thereby assuring a vote of no confidence. Senaga's defeat in the subsequent election for mayor is believed uncertain.

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